

**REPORT OF THE AUDIT OF THE
WARREN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2009**



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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Michael O. Buchanon, Warren County Judge/Executive

Members of the Warren County Fiscal Court

The enclosed report prepared by Simon, Underwood & Associates PSC, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Warren County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements.

We engaged Simon, Underwood & Associates PSC to perform the audit of these financial statements. We worked closely with the firm during our report review process; Simon, Underwood & Associates PSC evaluated the Warren County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen

Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE WARREN COUNTY FISCAL COURT

June 30, 2009

Simon, Underwood & Associates PSC has completed the audit of the Warren County Fiscal Court for fiscal year ended June 30, 2009.

We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Warren County, Kentucky. We have issued qualified opinions on the financial statements of Southern Kentucky Performing Arts, Inc. (SKyPAC) and South Central Kentucky Regional Development Authority (RDA), discretely presented component units, which have been prepared under accounting principles generally accepted in the United States of America, which is inconsistent with the basis of accounting Warren County, Kentucky uses to prepare its financial statements.

In accordance with OMB Circular A-133, we have issued unqualified opinions on the compliance requirements that are applicable to Warren County's major federal programs: Help America Vote Act (CFDA #90.401) and Safe Route to School Program (CFDA #20.600).

Financial Condition:

The fiscal court had total net assets of \$49,933,867 as of June 30, 2009. The fiscal court had unrestricted net assets of \$16,342,051 in its governmental activities as of June 30, 2009, with total net assets of \$49,596,096. In its business-type activities, total net cash and cash equivalents were \$288,780 with total net assets of \$337,771. The fiscal court's discretely presented component units had restricted net assets of \$6,409,000 as of June 30, 2009, with total net assets of \$7,856,568 as of June 30, 2009. The fiscal court had total debt principal as of June 30, 2009 of \$46,775,000 with \$1,805,000 due within the next year. The discretely presented component unit, South Central Kentucky Regional Development Authority, had total debt principal of \$229,456,708 as of June 30, 2009.

Deposits:

The fiscal court's deposits as of June 30, 2009 and August 31, 2008, were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$9,446 and \$108,054, respectively.

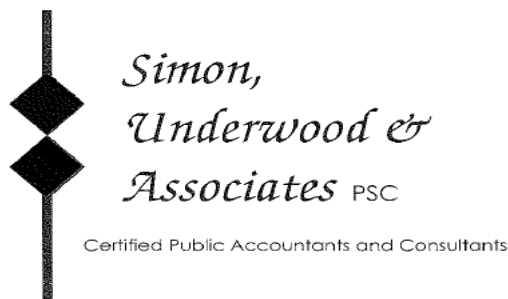
The fiscal court's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.

The fiscal court's component units' deposits were insured and collateralized by bank securities.

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To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Michael O. Buchanan, Warren County Judge/Executive
Members of the Warren County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Warren County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the basic financial statements of the County, as listed in the table of contents. These financial statements are the responsibility of the Warren County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Southern Kentucky Performing Arts, Inc. (SKyPAC) and South Central Kentucky Regional Development Authority (RDA), discretely presented component units of the Warren County Fiscal Court, which represents 100% of the assets and revenues, respectively, of the financial data presented for the discretely presented component units presentation. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for SKyPAC and RDA are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of SKyPAC and RDA were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Warren County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements of SKyPAC and RDA, discretely presented component units of the Warren County Fiscal Court, are presented in accordance with the accrual basis of accounting and therefore include certain accruals required by accounting principles generally accepted in the United States of America that are not presented in accordance with the modified cash basis of accounting. The amounts by which these accruals affect the financial statements are not reasonably determinable.

To the People of Kentucky

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Members of the Warren County Fiscal Court

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had SKyPAC's and RDA's financial statements been prepared using the same basis of accounting as Warren County, Kentucky, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the discretely presented component units of Warren County, Kentucky, as of June 30, 2009, and the changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Warren County, Kentucky, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the modified cash basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Warren County, Kentucky's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is also not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated May 7, 2010 on our consideration of Warren County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Simon, Underwood & Associates PSC

Simon, Underwood & Associates PSC

May 7, 2010

WARREN COUNTY OFFICIALS

For The Year Ended June 30, 2009

Fiscal Court Members:

Michael O. Buchanon	County Judge/Executive
James T. Kaelin	Magistrate
Richard Morgan	Magistrate
Eddie Beck	Magistrate
Thomas Hunt	Magistrate
Terry W. Young	Magistrate
Robert Donoho	Magistrate

Other Elected Officials:

Amy Milliken	County Attorney
Jackie Strode	Jailer
Dorothy Owens	County Clerk
Pat Howell Goad	Circuit Court Clerk
Jerry Gaines	Sheriff
Bob Branstetter	Property Valuation Administrator
Kevin Kirby	Coroner

Appointed Personnel:

Jerry Pearson	County Treasurer
Marie Smith	Deputy Judge/Executive
Brenda Hale	Fiscal Court Clerk



MICHAEL O. BUCHANON

TEL: (270) 843-4146

WARREN COUNTY JUDGE EXECUTIVE

FAX: (270) 781-2777

Management's Discussion and Analysis June 30, 2009

The financial management of Warren County, Kentucky offers readers of Warren County's financial statements this narrative overview and analysis of the financial activities of Warren County for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

Financial Highlights.

- Warren County had net assets of \$49,933,867 as of June 30, 2009. The Fiscal Court had unrestricted net assets of \$16,342,051 in the governmental activities as of June 30, 2009, with total net assets of \$49,596,096. In the business-type activities, cash and cash equivalents were \$288,780 with total net assets of \$337,771.
- The governmental activities' total net assets increased by \$7,832,198 from the prior year. This increase is primarily due to increased revenues.
- At the close of the current fiscal year, Warren County governmental funds reported current assets of \$16,910,090. Of this amount, \$16,342,051 is available for spending at the government's discretion (unreserved fund balance).
- Warren County's total indebtedness at the close of fiscal year June 30, 2009 was \$46,775,000, of which \$44,970,000 is long-term (due after 1 year) and \$1,805,000 is short-term (to be paid within 1 year). Debt additions were \$0, and debt reductions were \$1,864,000 for a net decrease of \$1,864,000 for the year.

Overview of the Financial Statements.

This management discussion and analysis is intended to serve as an introduction to Warren County's basic financial statements. Warren County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements.

The *government-wide financial statements* are designed to provide readers with a broad overview of Warren County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Warren County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Warren County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as timing for recognizing revenues, expenses, and related assets and liabilities.

Under the County's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Warren County's governmental activities include general government, protection to persons and property, general health & sanitation, roads, recreation and culture, social services, airport, debt service, capital projects, and administration. Warren County has one business type activity - Jail Canteen.

The government-wide financial statements should include not only Warren County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the County. Warren County has two such entities described as major Discretely Presented Component Units, they are:

Southern Kentucky Performing Arts Center, Incorporated
South Central Kentucky Regional Development Authority

The financial statements include the financial data of the Southern Kentucky Performing Arts Center, Inc. and South Central Kentucky Regional Development Authority.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Warren County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Warren County can be divided into three broad categories: *governmental, proprietary, and fiduciary*.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Warren County maintains (12) twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

Major Funds:

- General Fund
- Road and Bridge Fund
- Jail Fund

Non-major Funds:

- County Bond Sinking Fund
- Justice Center Expansion Corporation Fund
- Local Government Economic Assistance Fund
- Park Enterprise Fund
- Emergency 9-1-1 Fund
- Federal Drug Forfeiture Fund
- Storm Water Fund
- Transient Room Tax Fund
- General Obligation Bond Fund

Warren County adopts an annual appropriated budget. A budgetary comparison statement has been provided for the General Fund, Road and Bridge Fund and Jail Fund to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

Fiduciary Funds Financial Statements. These funds are used to account for resources held for custodial purposes. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the programs of the County. The accounting used for fiduciary funds is much like that used for proprietary funds. The County's fiduciary fund is the Jail Inmate Fund.

Component Units Financial Statements. As mentioned above, Component Units are operations for which the County has some financial accountability, but also have certain independent qualities as well. Component Units operate similarly to private sector businesses. The government-wide financial statements present information for the component units, the Southern Kentucky Performing Arts Center, Inc. and South Central Kentucky Regional Development Authority within a single column of the statement of net assets. Also, information on the statement of activities presents the component units. The combining statement of net assets and the combining statement of activities provide details for the component units.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Table 1
Warren County's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2009	2008	2009	2008	2009
Assets						
Current and other assets	\$ 11,918,829	\$ 16,910,090	\$ 223,177	\$ 288,780	\$ 12,142,006	\$ 17,198,870
Receivable - Long Term	780,000	740,000			780,000	740,000
Net Capital Assets	77,704,069	78,721,006	29,257	48,991	77,733,326	78,769,997
Total Assets	<u>90,402,898</u>	<u>96,371,096</u>	<u>252,434</u>	<u>337,771</u>	<u>90,655,332</u>	<u>96,708,867</u>
Liabilities						
Current and other Liabilities	1,864,000	1,805,000			1,864,000	1,805,000
Long-term Liabilities	46,775,000	44,970,000			46,775,000	44,970,000
Total Liabilities	<u>48,639,000</u>	<u>46,775,000</u>			<u>48,639,000</u>	<u>46,775,000</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	29,845,069	32,686,006	29,257	48,991	29,874,326	32,734,997
Restricted	1,295,360	568,039			1,295,360	568,039
Unrestricted	10,623,469	16,342,051	223,177	288,780	10,846,646	16,630,831
Total Net Assets	<u>\$ 41,763,898</u>	<u>\$ 49,596,096</u>	<u>\$ 252,434</u>	<u>\$ 337,771</u>	<u>\$ 42,016,332</u>	<u>\$ 49,933,867</u>

Changes in Net Assets.

Table 2
Warren County's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2009	2008	2009	2008	2009
Program Revenues						
Charges for						
Services	\$ 8,408,305	\$ 9,187,814	\$ 580,605	\$ 642,865	\$ 8,988,910	\$ 9,830,679
Grants &						
Contributions	7,737,013	5,746,111			7,737,013	5,746,111
Capital Grants &						
Contributions	2,446,528	3,856,230			2,446,528	3,856,230
General Revenues						
Taxes	12,022,619	13,970,012			12,022,619	13,970,012
Miscellaneous &						
Other	2,066,862	2,022,089	2,814	2,482	2,069,676	2,024,571
Total Revenue	<u>32,681,327</u>	<u>34,782,256</u>	<u>583,419</u>	<u>645,347</u>	<u>33,264,746</u>	<u>35,427,603</u>
Expenses						
General						
Government	7,628,253	10,331,256			7,628,253	10,331,256
Protection to						
Persons &						
Property	5,864,615	6,349,391			5,864,615	6,349,391
General Health						
and Sanitation	1,160,475	976,810			1,160,475	976,810
Social Services	331,349	363,490			331,349	363,490
Recreation and						
Culture	1,968,022	1,566,590			1,968,022	1,566,590
Roads	3,741,030	222,637			3,741,030	222,637
Airports	133,553	128,221			133,553	128,221
Debt Service	2,323,339	1,973,595			2,323,339	1,973,595
Capital Projects	4,579,478	4,751,942			4,579,478	4,751,942
Jail Canteen			594,249	560,010	594,249	560,010
Total Expenses	<u>27,730,114</u>	<u>26,663,932</u>	<u>594,249</u>	<u>560,010</u>	<u>28,324,363</u>	<u>27,223,942</u>
Change In Net						
Assets	4,951,213	8,118,324	(10,830)	85,337	4,940,383	8,203,661
Net Assets -						
Beginning						
(Restated for 2009)	<u>36,812,685</u>	<u>41,477,772</u>	<u>263,264</u>	<u>252,434</u>	<u>37,075,949</u>	<u>41,730,206</u>
Net Assets -						
Ending	<u>\$ 41,763,898</u>	<u>\$ 49,596,096</u>	<u>\$ 252,434</u>	<u>\$ 337,771</u>	<u>\$ 42,016,332</u>	<u>\$ 49,933,867</u>

Changes in Net Assets. (Continued)

Governmental Activities. Warren County's net assets increased by \$7,832,198 during the fiscal year ended June 30, 2009. Key elements of this are as follows:

- Current assets and cash increased \$4,991,261, due increased revenues of property tax and occupational license.
- Investment in capital assets and infrastructure, net of related debt increased \$2,840,937 due to depreciation expense.

Business-type Activities. Warren County's net assets increased by \$85,337 during the fiscal year ended June 30, 2009. Key elements are as follows:

- Investment in vehicles and equipment, net of related debt increased \$199,734 due to depreciation expense.

Financial Analysis of the County's Funds. As noted earlier, Warren County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds Overview. The focus of Warren County governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of June 2009 fiscal year, the combined ending fund balances of County governmental funds were \$16,910,090, which consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds.

The County has (3) three major governmental, and (9) nine non-major funds.

Major Funds

- General Fund
- Road and Bridge Fund
- Jail Fund

Non-major Funds

- County Bond Sinking Fund
- Justice Center Expansion Corporation
- Local Government Economic Assistance Fund
- Park Enterprise Fund
- Emergency 9-1-1 Fund
- Federal Drug Forfeiture Fund
- Storm Water Fund
- Transient Room Tax Fund
- General Obligation Bond Fund

Financial Analysis of the County's Funds. (Continued)

Governmental Funds Overview. (Continued)

1. The General Fund is the chief operating fund of Warren County. At the end of the June 30, 2009 fiscal year, unreserved fund balance of the General Fund was \$13,456,786, which was the total fund balance. The County received \$12,821,986 in real and personal property, motor vehicle, and other taxes for approximately 58% of the county's general revenues. Various other service fees and miscellaneous revenues contribute to the remaining 42% of revenues.
2. The Road and Bridge Fund is the fund related to county road and bridge construction and maintenance. The Road and Bridge Fund had a \$134,973 fund balance at June 30, 2009. The fiscal year 2008 expenditures for Road and Bridge Fund were \$3,229,909.
3. The Jail Fund is used to account for the operation of the county's detention program. The Jail Fund had a balance at June 30, 2009 of \$417,677. The Jail Fund received \$5,433,189 for intergovernmental fees, primarily for housing prisoners. The General Fund contributed \$735,724 to the jail operations.
4. The County Bond Sinking Fund had a fund balance of \$304,610 as of June 30, 2009, for the construction of the new regional parks and courthouse renovations. These funds are restricted for parks construction and courthouse renovations.
5. The Local Government Economic Assistance Fund had a fund balance of \$250,233 as of June 30, 2009, a decrease of \$92,418 over the previous fiscal year end.
6. The Park Enterprise Fund had a fund balance of \$4,115 as of June 30, 2009.
7. The Emergency 9-1-1 Fund accounts for the operation of the City/County emergency operations communications. The Emergency 9-1-1 Fund had a fund balance of \$22,051 at the end of June 30, 2009 fiscal year. Tax revenue from telephone and cell phones for the fiscal year was \$330,244. These funds are used for the operations of 9-1-1.
8. The Federal Drug Forfeiture Fund had a fund balance of \$100,598 as of June 30, 2009. The funds are restricted, and can only be used as directed by approved budgeted appropriation.
9. The General Obligation Bond Fund had a balance of \$70 as of June 30, 2009. These funds are restricted for debt reduction.
10. The Storm Water Fund had a balance of \$1,239,435 as of June 30, 2009. This revenue is generated from fees assessed on water meters located within the County and are restricted.
11. Transient Room Tax Fund had a balance of \$676,183 as of June 30, 2009. These funds are restricted for debt reduction when funded.
12. The Justice Center Expansion Corporation had a fund balance of \$263,359 as of June 30, 2009.

Financial Analysis of the County's Funds. (Continued)

Proprietary Funds Overview. The County's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

Warren County has (1) one enterprise-type proprietary fund, it is:

- Jail Canteen Fund

The Jail Canteen Fund's unrestricted net assets as of June 30, 2009, amounted to \$288,780 and total net assets were \$337,771.

General Fund Budgetary Highlights. Warren County's general fund budget for expenditures was amended during the fiscal year increasing the budgeted amount by \$2,438,437. Budget amendments were made to various expenditures due to grants awarded in the fiscal year, participation in the Kentucky Advance Revenue Program, and an increase in actual revenue.

Actual revenues of the General Fund were \$4,286,336 less than budget. This variance mainly was due to a decrease of grant revenues received from the state.

Capital Assets and Debt Administration.

Capital Assets. Warren County's investment in capital assets for its government and business type activities as of June 30, 2009, amount to \$78,769,997 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles, and infrastructure. Warren County has elected to report infrastructure assets in accordance with the provisions of GASB 34.

Additional information on the County's capital assets can be found in Note 4 of this report.

Table 3
Warren County's Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Total	
	2008	2009	2008	2009	2008	2009
Assets						
Infrastructure						
Assets	\$ 23,696,667	\$ 24,934,221	\$	\$	\$ 23,696,667	\$ 24,934,221
Land	6,970,281	6,970,281			6,970,281	6,970,281
Buildings	41,154,482	40,536,663			41,154,482	40,536,663
Other						
Equipment	873,249	1,104,465			873,249	1,104,465
Land						
Improvements	2,241,849	2,323,769			2,241,849	2,323,769
Vehicles &						
Equip.	2,767,541	2,851,607	29,257	48,991	2,796,798	2,900,598
Total Net						
Capital Assets	<u>\$ 77,704,069</u>	<u>\$ 78,721,006</u>	<u>\$ 29,257</u>	<u>\$ 48,991</u>	<u>\$ 77,733,326</u>	<u>\$ 78,769,997</u>

Capital Assets and Debt Administration. (Continued)

Long-Term Debt. At the end of the fiscal year ended June 30, 2009, Warren County had total bonded debt outstanding of \$45,235,000. The totals are as follows: General Obligation Bonds \$20,485,000 and First Mortgage Revenue Bonds \$24,750,000. The County has (3) three financing obligations totaling \$1,540,000. Additional information on the County's long-term debt can be found in Note 8 of this report.

Other Matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the budget for the fiscal year ending June 30, 2009:

- Economic factors continue to indicate softness for new housing, sale of real estate, expansion of existing business, and the development of new business for the City of Bowling Green and the County of Warren. Our Economic Development Authority continues to generate interest in the recruitment of new industry in accordance with anticipated goals for the area. Warren County continues to be a desirable location for business and industry due to its location and proximity large population centers.
- Several new industries did announce their intent to locate in the region, which has a positive financial impact on the City of Bowling Green and County of Warren.

Requests For Information. This financial report is designed to provide a general overview of Warren County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this financial report or requests for additional financial information should be addressed to the Warren County Treasurer, 429 East 10th Street, Second Floor, Bowling Green, KY 42101.

Questions concerning the audit report of the Southern Kentucky Performing Arts Center, Inc. should be addressed to Warren County Treasurer, 429 East 10th Street, Second Floor, Bowling Green, KY 42101.

WARREN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

WARREN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
ASSETS				
Current Assets:				
Cash and Cash Equivalents -				
Unrestricted	\$ 16,641,897	\$ 288,780	\$ 16,930,677	\$ 2,287
Restricted				15,679
Investments:				
Unrestricted	228,193		228,193	
Restricted				4,089,602
Net Investment in Direct Financing				
Lease - Current Portion				5,671,650
Receivables:				
Accounts receivable				809
Capital pledges - net of discount				299,471
Intergovernmental				2,980,889
Community Action				
of Southern Kentucky	40,000		40,000	
Total Current Assets	16,910,090	288,780	17,198,870	13,060,387
Noncurrent Assets:				
Net Investment in Direct Financing				
Lease - Net of Current Portion				229,456,708
Receivable - Long Term				
Community Action				
of Southern Kentucky	740,000		740,000	
Capital Assets -				
Land and Land Improvements	6,970,281		6,970,281	
Construction in Progress				1,480,888
Buildings and Building Improvements	46,800,279		46,800,279	
Other Equipment	2,358,163		2,358,163	
Land Improvements	2,837,640		2,837,640	
Vehicles and Equipment	6,803,737	131,639	6,935,376	
Infrastructure Assets	108,657,174		108,657,174	
Less: Accumulated Depreciation	(95,706,268)	(82,648)	(95,788,916)	
Total Capital Assets - Net of				
Accumulated Depreciation	78,721,006	48,991	78,769,997	1,480,888
Total Noncurrent Assets	79,461,006	48,991	79,509,997	230,937,596
Total Assets	96,371,096	337,771	96,708,867	243,997,983

The accompanying notes are an integral part of the financial statements.

WARREN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
June 30, 2009
(Continued)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
LIABILITIES				
Current Liabilities:				
General Obligation Bonds Payable	\$ 920,000	\$	\$ 920,000	\$
Revenue Bonds Payable	765,000		765,000	
Financing Obligations Payable	120,000		120,000	
Accounts Payable				976,641
Accured Interest Payable				5,671,650
Note Payable - Related Party				36,416
Total Current Liabilities	<u>1,805,000</u>	<u></u>	<u>1,805,000</u>	<u>6,684,707</u>
Noncurrent Liabilities:				
General Obligation Bonds Payable	19,565,000		19,565,000	
Revenue Bonds Payable	23,985,000		23,985,000	229,456,708
Financing Obligations Payable	1,420,000		1,420,000	
Total Noncurrent Liabilities	<u>44,970,000</u>	<u></u>	<u>44,970,000</u>	<u>229,456,708</u>
Total Liabilities	<u>46,775,000</u>	<u></u>	<u>46,775,000</u>	<u>236,141,415</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	32,686,006	48,991	32,734,997	1,480,888
Restricted For:				
Capital Projects	304,610		304,610	6,409,000
Debt Service	263,429		263,429	
Unrestricted	16,342,051	288,780	16,630,831	(33,320)
Total Net Assets	<u>\$ 49,596,096</u>	<u>\$ 337,771</u>	<u>\$ 49,933,867</u>	<u>\$ 7,856,568</u>

The accompanying notes are an integral part of the financial statements.

WARREN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

WARREN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 10,331,256	\$ 1,453,327	\$ 3,121,740	\$ 3,781,651
Protection to Persons and Property	6,349,391	6,713,104	747,402	74,579
General Health and Sanitation	976,810	1,021,383		
Social Services	363,490			
Recreation and Culture	1,566,590			
Roads	222,637		1,876,969	
Airports	128,221			
Debt Service	1,973,595			
Capital Projects	4,751,942			
Total Governmental Activities	26,663,932	9,187,814	5,746,111	3,856,230
Business-type Activities:				
Jail Canteen	560,010	642,865		
Total Business-type Activities	560,010	642,865		
Total Primary Government	\$ 27,223,942	\$ 9,830,679	\$ 5,746,111	\$ 3,856,230
Component Units:				
Southern Kentucky Performing Arts Center, Inc.	226,211	-	1,700	987,952
South Central Kentucky Regional Development Authority	11,425,211	11,317,468		
Total Component Units	\$ 11,651,422	\$ 11,317,468	\$ 1,700	\$ 987,952

General Revenues:

Taxes:

Real and Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

County Wage Assessment Tax

Excess Fees

Insurance Reimbursement

Miscellaneous Revenues

Unrestricted Investment Earnings

Restricted Investment Earnings

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

WARREN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Totals	Component Units
\$ (1,974,538)	\$	\$ (1,974,538)	\$
1,185,694		1,185,694	
44,573		44,573	
(363,490)		(363,490)	
(1,566,590)		(1,566,590)	
1,654,332		1,654,332	
(128,221)		(128,221)	
(1,973,595)		(1,973,595)	
(4,751,942)		(4,751,942)	
(7,873,777)		(7,873,777)	
	82,855	82,855	
	82,855	82,855	
(7,873,777)	82,855	(7,790,922)	
			763,441
			(107,743)
			655,698
9,099,734			
907,487			
2,441,700			
1,521,091			
1,045,680			
41,017			
703,089			
232,303	2,482		256,399
			1
15,992,101	2,482		256,400
8,118,324	85,337	8,203,661	912,098
41,477,772	252,434	41,730,206	6,944,470
\$ 49,596,096	\$ 337,771	\$ 49,933,867	\$ 7,856,568

The accompanying notes are an integral part of the financial statements.

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WARREN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

WARREN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

	General Fund	Road And Bridge Fund	Jail Fund	Non- Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 13,228,593	\$ 134,973	\$ 417,677	\$ 2,860,654	\$ 16,641,897
Investments	228,193				228,193
 Total Assets	 <u>\$ 13,456,786</u>	 <u>\$ 134,973</u>	 <u>\$ 417,677</u>	 <u>\$ 2,860,654</u>	 <u>\$ 16,870,090</u>
 FUND BALANCES					
Fund Balances:					
Unreserved:					
General Fund	\$ 13,456,786	\$	\$	\$	\$ 13,456,786
Special Revenue Funds		134,973	417,677	2,292,615	2,845,265
Capital Projects Fund				304,610	304,610
Debt Service Funds				263,429	263,429
 Total Fund Balances	 <u>\$ 13,456,786</u>	 <u>\$ 134,973</u>	 <u>\$ 417,677</u>	 <u>\$ 2,860,654</u>	 <u>\$ 16,870,090</u>

The accompanying notes are an integral part of the financial statements.

WARREN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2009
(Continued)

Reconciliation of the Balance Sheet - Governmental Funds to Statement of Net Assets:

Total Fund Balances	\$ 16,870,090
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Governmental Funds	174,427,274
Accumulated Depreciation	(95,706,268)
Long-term Receivable Is Not Available To Pay for Current Period Expenditures and, Therefore, Is Deferred in the Funds	780,000
Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Governmental Funds:	
General Obligation Bonds	(20,485,000)
Revenue Bonds	(24,750,000)
Financing Obligations	<u>(1,540,000)</u>
Net Assets Of Governmental Activities	<u>\$ 49,596,096</u>

WARREN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

WARREN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	General Fund	Road And Bridge Fund	Jail Fund	Non- Major Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 12,821,986	\$	\$	\$ 917,046	\$ 13,739,032
In Lieu Tax Payments	230,980				230,980
Excess Fees	1,045,680				1,045,680
Licenses and Permits	1,380,230				1,380,230
Intergovernmental	6,618,624	1,876,969	5,433,189	1,638,271	15,567,053
Charges for Services	63,445		522,813	1,021,383	1,607,641
Miscellaneous	423,931	3,801	427,498	142,170	997,400
Interest	194,134	1,461	2,014	34,691	232,300
Total Revenues	<u>22,779,010</u>	<u>1,882,231</u>	<u>6,385,514</u>	<u>3,753,561</u>	<u>34,800,316</u>
EXPENDITURES					
General Government	7,832,738			250,000	8,082,738
Protection to Persons and Property	1,062,808		4,757,732	402,601	6,223,141
General Health and Sanitation	638,438			338,372	976,810
Social Services	272,990			90,500	363,490
Recreation and Culture	1,610,627			21,101	1,631,728
Roads		1,503,166		22,692	1,525,858
Airports	127,500	721			128,221
Debt Service	509,120			3,288,475	3,797,595
Capital Projects	3,077,230	1,452,583		222,129	4,751,942
Administration	990,567	273,439	1,061,173	2,353	2,327,532
Total Expenditures	<u>16,122,018</u>	<u>3,229,909</u>	<u>5,818,905</u>	<u>4,638,223</u>	<u>29,809,055</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>6,656,992</u>	<u>(1,347,678)</u>	<u>566,609</u>	<u>(884,662)</u>	<u>4,991,261</u>
Other Financing Sources (Uses)					
Transfers From Other Funds	58,066	1,140,000		1,494,774	2,692,840
Transfers To Other Funds	<u>(1,899,050)</u>		<u>(735,724)</u>	<u>(58,066)</u>	<u>(2,692,840)</u>
Total Other Financing Sources (Uses)	<u>(1,840,984)</u>	<u>1,140,000</u>	<u>(735,724)</u>	<u>1,436,708</u>	
Net Change in Fund Balances	4,816,008	(207,678)	(169,115)	552,046	4,991,261
Fund Balances - Beginning	8,640,778	342,651	586,792	2,308,608	11,878,829
Fund Balances - Ending	<u>\$ 13,456,786</u>	<u>\$ 134,973</u>	<u>\$ 417,677</u>	<u>\$ 2,860,654</u>	<u>\$ 16,870,090</u>

The accompanying notes are an integral part of the financial statements.

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**WARREN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2009

WARREN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH
BASIS

For The Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds	\$ 4,991,261
<p>Amounts Reported for Governmental Activities In The Statement of Activities Are Different Because:</p> <p>Governmental Funds Report Capital Outlays as Expenditures. However, In The Statement of Activities the Cost of Those Assets is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.</p>	
Capital Outlay	3,068,670
Depreciation Expense	(1,756,357)
Book Value - Disposed Capital Assets	(9,250)
<p>Payment on Receivables Provide Current Financial Resources to Governmental Funds, While at the Government-wide Level, A Reduction of the Receivable Occurs. This Transaction Has no Effect on Net Assets.</p>	
Receivable Receipts	(40,000)
<p>The Issuance of Long-term Debt (e.g. Bonds, Leases) Provides Current Financial Resources to Governmental Funds, While Repayment of Principal On Long-term Debt Consumes the Current Financial Resources of Governmental Funds. These Transactions, However, Have No Effect On Net Assets.</p>	
Financing Obligations Principal Payments	239,000
Bonded Debt Principal Payments	<u>1,625,000</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 8,118,324</u></u>

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WARREN COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

WARREN COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

	<u>Business-Type Activities</u>
	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 288,780
Total Current Assets	<u>288,780</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	131,639
Less Accumulated Depreciation	<u>(82,648)</u>
Total Noncurrent Assets	<u>48,991</u>
Total Assets	<u>337,771</u>
Fund Net Assets	
Invested in Capital Assets	48,991
Unrestricted	<u>288,780</u>
Total Fund Net Assets	<u><u>\$ 337,771</u></u>

The accompanying notes are an integral part of the financial statements.

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WARREN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

WARREN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	<u>Business-Type Activities</u>
	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Operating Revenues	
Canteen Receipts	\$ 642,865
Total Operating Revenues	<u>642,865</u>
Operating Expenses	
Cost of Sales	380,377
Educational and Recreational	158,449
Depreciation	<u>21,184</u>
Total Operating Expenses	<u>560,010</u>
Operating Income	<u>82,855</u>
Nonoperating Revenues (Expenses)	
Interest Income	<u>2,482</u>
Total Nonoperating Revenues (Expenses)	<u>2,482</u>
Change In Fund Net Assets	<u>85,337</u>
Total Fund Net Assets - Beginning	<u>252,434</u>
Total Fund Net Assets - Ending	<u><u>\$ 337,771</u></u>

The accompanying notes are an integral part of the financial statements.

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WARREN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

WARREN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activities
	Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Receipts From Customers	\$ 642,865
Cost of Sales	(380,377)
Educational and Recreational	(158,449)
Net Cash Used By Operating Activities	<u>104,039</u>
Cash Flows From Investing Activities	
Capital Assets Purchased	(40,918)
Interest Earned	2,482
Net Cash Provided By Investing Activities	<u>(38,436)</u>
Net Decrease in Cash and Cash Equivalents	65,603
Cash and Cash Equivalents - July 1, 2008	<u>223,177</u>
Cash and Cash Equivalents - June 30, 2009	<u><u>\$ 288,780</u></u>
Reconciliation of Operating Income to Net Cash	
Net Cash Provided by Operating Activities	
Operating Income	\$ 82,855
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities:	
Depreciation Expense	<u>21,184</u>
Total Cash Provided By Operating Activities	<u><u>\$ 104,039</u></u>

The accompanying notes are an integral part of the financial statements.

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WARREN COUNTY
STATEMENT OF FIDUCIARY NET ASSETS – FIDUCIARY FUND – MODIFIED CASH BASIS

June 30, 2009

WARREN COUNTY
STATEMENT OF FIDUCIARY NET ASSETS – FIDUCIARY FUND – MODIFIED CASH
BASIS

June 30, 2009

	<u>Agency Fund</u>
	<u>Jail Inmate Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 48,217
Total Assets	<u>48,217</u>
Liabilities	
Amounts Held In Custody For Others	<u>48,217</u>
Total Liabilities	<u>48,217</u>
Net Assets	
Total Net Assets	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

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WARREN COUNTY
STATEMENT OF NET ASSETS – COMPONENT UNITS

June 30, 2009

WARREN COUNTY
STATEMENT OF NET ASSETS – COMPONENT UNITS

June 30, 2009

	Southern Kentucky Performing Arts Center, Inc.	South Central Kentucky Regional Development Authority	Totals
Assets			
Current Assets:			
Cash and Cash Equivalents -			
Unrestricted	\$	\$ 2,287	\$ 2,287
Restricted	5,180	10,499	15,679
Investments:			
Unrestricted			
Restricted	4,089,602		4,089,602
Net Investment in Direct Financing			
Lease - Current Portion		5,671,650	5,671,650
Receivables -			
Accounts receivable		809	809
Capital pledges receivable	299,471		299,471
Intergovernmental	2,980,889		2,980,889
Total Current Assets	<u>7,375,142</u>	<u>5,685,245</u>	<u>13,060,387</u>
Noncurrent Assets:			
Net Investment in Direct Financing			
Lease - Net of Current Portion		229,456,708	229,456,708
Capital Assets:			
Construction in process	1,480,888		1,480,888
Total Noncurrent Assets	<u>1,480,888</u>	<u>229,456,708</u>	<u>230,937,596</u>
Total Assets	<u>8,856,030</u>	<u>235,141,953</u>	<u>243,997,983</u>
Liabilities			
Current Liabilities:			
Accounts Payable	\$ 976,641	\$	\$ 976,641
Accrued Interest Payable		5,671,650	5,671,650
Note Payable - Related Party		36,416	36,416
Total Current Liabilities	<u>976,641</u>	<u>5,708,066</u>	<u>6,684,707</u>
Noncurrent Liabilities:			
Revenue Bonds Payable		229,456,708	229,456,708
Total Noncurrent Liabilities		<u>229,456,708</u>	<u>229,456,708</u>
Total Liabilities	<u>976,641</u>	<u>235,164,774</u>	<u>236,141,415</u>
Net Assets			
Invested in Capital Assets	1,480,888		1,480,888
Restricted for Capital Projects	6,398,501	10,499	6,409,000
Unrestricted		(33,320)	(33,320)
Total Net Assets	<u>\$ 7,879,389</u>	<u>\$ (22,821)</u>	<u>\$ 7,856,568</u>

The accompanying notes are an integral part of the financial statements.

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WARREN COUNTY
STATEMENT OF ACTIVITIES – COMPONENT UNITS

For The Year Ended June 30, 2009

WARREN COUNTY
STATEMENT OF ACTIVITIES – COMPONENT UNITS

For The Year Ended June 30, 2009

Functions/Programs Reporting Entity	Program Revenues Received			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Southern Kentucky Performing Arts Center, Inc.:				
Fine Arts and Education:				
Program Services	\$ 226,211	\$	\$ 1,700	\$ 987,952
Total Southern Kentucky Performing Arts Center, Inc.	226,211		1,700	987,952
South Central Kentucky Regional Development Authority:				
Operation Expenses	14,323	11,317,468		
Interest on Long-Term Debt	11,410,888			
Total South Central Kentucky Regional Development Authority	11,425,211	11,317,468		
Total Component Units	<u>\$ 11,651,422</u>	<u>\$11,317,468</u>	<u>\$ 1,700</u>	<u>\$ 987,952</u>

General Revenues:

Unrestricted Investment Earnings

Restricted Investment Earnings

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

WARREN COUNTY
STATEMENT OF ACTIVITIES – COMPONENT UNITS
For The Year Ended June 30, 2009
(Continued)

Net (Expenses) Revenue and Changes in Net Assets		
Southern Kentucky Arts Center, Inc.	South Central Kentucky Regional Development Authority	Component Units
<u>\$ 763,441</u>	\$	\$ 763,441
<u>763,441</u>		
	11,303,145	11,303,145
	<u>(11,410,888)</u>	<u>(11,410,888)</u>
	<u>(107,743)</u>	<u>655,698</u>
256,399		256,399
<u>1</u>	<u>1</u>	<u>1</u>
256,399	1	256,400
<u>1,019,840</u>	<u>(107,742)</u>	<u>912,098</u>
<u>6,859,549</u>	<u>84,921</u>	<u>6,944,470</u>
<u>\$ 7,879,389</u>	<u>\$ (22,821)</u>	<u>\$ 7,856,568</u>

The accompanying notes are an integral part of the financial statements.

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**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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**WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2009

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The management of Warren County Fiscal Court presents its government-wide and fund financial statements utilizing a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Receivables are recognized on the Statement of Net Assets, but receivables are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances). The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets are included in the Statement of Net Assets and their corresponding depreciation expense is included on the Statement of Activities.

Management of the Southern Kentucky Performing Arts Center, Inc.(SKyPAC) and South Central Kentucky Regional Development Authority (RDA), discretely presented component units of the Warren County Fiscal Court, present their government-wide and fund financial statements utilizing the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. These discretely presented component units have adopted the accrual basis of accounting, under which revenues are recognized when they are earned and expenses are recognized when incurred. The funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the Statements of Net Assets.

B. Reporting Entity

The financial statements of Warren County include the funds, agencies, boards, and entities for which the Fiscal Court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units

Warren County Regional Jail Corporation

The Warren County Fiscal Court appoints a voting majority of the Regional Jail Corporation's governing board and has the ability to impose its will on the governing board. In addition, the Fiscal Court is financially accountable and legally obligated for the debt of the Regional Jail Corporation. Financial information for the Warren County Regional Jail Corporation is blended within Warren County's financial statements.

Warren County Justice Center Expansion Corporation

Warren County Fiscal Court must approve issue of bonded debt for the Justice Center Expansion Corporation; therefore, the Justice Center Expansion Corporation is fiscally dependent. In addition, the Fiscal Court leases the justice center from the Justice Center Expansion Corporation for the amount of the bond payments. Financial information for the Warren County Justice Center Expansion Corporation is blended within Warren County's financial statements.

Discretely Presented Component Units

Southern Kentucky Performing Arts Center, Inc.

The Southern Kentucky Performing Arts Center, Inc. (SKyPAC) was created under the provisions of KRS 273.161 through 273.390 and 58.180 for the purpose of performance of public, civic, and governmental activities in Warren County, Kentucky. SKyPAC acts as the agent and instrumentality and the constituted authority of Warren County in the acquisition and financing of public projects and public facilities which includes among other things, public buildings and educational facilities; and in conjunction with Western Kentucky University, to organize, study, develop, implement, acquire and finance public facilities for facilitating the construction and maintenance of a fine arts and educational facility. SKyPAC is governed by no less than 10 directors and no more than 25 directors of the board. All of SKyPAC's Board of Directors are appointed by the Warren County Judge/Executive subject to the approval of the Warren County Fiscal Court. SKyPAC can provide a financial benefit to or impose a financial burden on the Warren County Fiscal Court.

South Central Kentucky Regional Development Authority

The South Central Kentucky Regional Development Authority (RDA) was established by the Warren County Fiscal Court pursuant to KRS 154.50-301 through 154.50-346. The RDA was created and organized by the Fiscal Court as a non-profit, industrial development authority for the purpose of the acquisition, retention and development of land for industrial and commercial purposes in Kentucky. RDA was created and organized solely for public, civic and governmental purposes as an agency and instrumentality and the constituted authority of the county for the purpose of financing public projects on behalf of the county, and thereby accomplishing public purposes of the county. The RDA is governed by six members appointed by the Warren County Judge/Executive. The Fiscal Court exercises organizational control over the RDA and retains the authority to alter or change the structure, organization, programs, or activities of the RDA, including the power to terminate its existence.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Warren County Elected Officials

Kentucky law provides for election of the below officials from the geographic area constituting Warren County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Funds are characterized as either major or non-major. Major funds are those funds whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenditures of the Fiscal Court. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Park Enterprise Fund, Emergency 911 Fund, Federal Drug Forfeiture Fund, Storm Water Fund, Transient Room Tax Fund, County Bond Sinking Fund, General Obligation Bond Fund and Justice Center Expansion Corporation Fund.

Special Revenue Funds:

The Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Park Enterprise Fund, Emergency 911 Fund, Federal Drug Forfeiture Fund, Storm Water Fund and Transient Room Tax Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund:

The County Bond Sinking Fund is presented as a capital projects fund. Capital projects funds are to account for the financial resources to be used for the acquisition or construction of major capital facilities.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Debt Service Funds:

The General Obligation Bond Fund and Justice Center Expansion Corporation Fund are presented as debt service funds. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise fund are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Jail Inmate Fund for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Jail Inmate Fund - This fund accounts for funds received from jail inmates and remitted for jail canteen expenses, booking fees, or returned to the jail inmate.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Presentation of Component Units

Detailed presentation of the financial statements for Southern Kentucky Performing Arts Center, Inc. (SKyPAC), and South Central Kentucky Regional Development Authority (RDA), major discretely presented component units of the Warren County Fiscal Court are available from the separately issued financial statements of these component units.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	\$ 50,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 25,000	10-50

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Use Of Estimates

The preparation of financial statements of Southern Kentucky Performing Arts Center, Inc. (SKyPAC) and South Central Kentucky Regional Development Authority (RDA), discretely presented component units of Warren County Fiscal Court, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, designated fund balances and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

J. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

K. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. The primary government's accountability for related organizations does not extend beyond making appointments. Based on these criteria, the following are considered related organizations of Warren County Fiscal Court: Animal Control Board, Codes Enforcement Board, Industrial Development Authority, and Warren County Water District.

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Based upon these criteria, the Joint City-County Planning Commission, Warren County Downtown Economic Development Authority, Inc., Bowling Green SPE and the Inter-Modal Transportation Authority, Inc. are considered joint ventures of the Warren County Fiscal Court:

The Warren County Fiscal Court has maintained an ongoing financial responsibility for the Joint City-County Planning Commission (Planning Commission). The Planning Commission is a joint venture between Fiscal Court and Cities of Bowling Green, Plum Springs, Smiths Grove, Woodburn, and Oakland to assist and promote the orderly development of the county and cities. The Fiscal Court and City of Bowling Green are each responsible for fifty percent of the basic administration included in the budget of the Planning Commission. During fiscal year 2009, the Fiscal Court contributed \$484,995 to the Planning Commission.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

K. Related Organizations, Joint Venture, and Jointly Governed Organizations (Continued)

The Inter-Modal Transportation Authority, Inc. (the Authority) was organized by the Warren County Fiscal Court. In October 1998, the fiscal court incorporated the Authority pursuant to KRS 273.161 through 273.390 and 58.180. The Authority began as a component unit of Warren County, Kentucky (the County). However, on December 27, 2007, the Authority restated their Articles of Incorporation which states the Authority has become an agency and instrumentality of the County and the City of Bowling Green (the City). The Authority's primary purpose is the design, promotion and construction of a multi-modal commerce and distribution center and industrial park in the Warren County area. The Authority's primary sources of funding are land sales, county wage assessment tax receipts, state grants, portions of County and City tax revenues provided for under the Kentucky Increment Financing Act, and rental income from residential and farm leases. Of the 24 member board, half of the members are appointed by the County. During fiscal year 2009, the Fiscal Court contributed \$0 to the Authority.

A jointly governed organization is a regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. Based on these criteria, the following are considered jointly governed organizations of the Warren County Fiscal Court: Bowling Green-Warren County Regional Airport Board, Joint City-County Board of Adjustment, Contractors Licensing Board, Depot Development Authority, Design Review Board, Historic Preservation Board, Bowling Green Area Convention and Visitors Bureau, Military Liaison Board, and Bowling Green-Warren County Greenbelt Advisory Committee.

L. Interfund Transactions

The Warren County Fiscal Court has the following type of interfund transactions:

Interfund Transfers - Transfers presented in the fund financial statements represent the flow of assets (such as goods or cash) without equivalent flow of assets in return or requirement of repayment. The composition of the interfund transfers is presented in Note 6. Note that at the entity-wide level, the interfund transfers have been eliminated. This is to avoid revenues and expenses from being reported more than once.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 2. Deposits and Investments

A. Deposits

The primary government and Southern Kentucky Performing Arts Center, Inc., its discretely presented component unit, maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The primary government and its discretely presented component unit met these requirements.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution's failure, the government's deposits may not be returned to it. The primary government and its discretely presented component unit do not have deposit policies for custodial credit risk but rather follow the requirements of KRS 41.240(4). As of June 30, 2009 and August 31, 2008, the primary government's bank balance of \$9,446 and \$108,054, respectively, was exposed to custodial credit risk being unsecured and uncollateralized because the bank did not adequately collateralize the government's deposits in accordance with the security agreement. As of June 30, 2009, all deposits of the discretely presented component units were covered by FDIC insurance or a properly executed collateral security agreement.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 2. Deposits and Investments (Continued)

B. Investments

As of June 30, 2009, the primary government had the following investments and average maturities:

	Fair Value (Cost)	Average Maturity	
Federal Home Loan Banks	\$ 209,271	6.0	months
Federal National Mtg Assn Strips	18,922	6.0	months
Certificates of deposit	<u>12,765,320</u>	5.5	months
	<u>\$ 12,993,513</u>		

Interest Rate Risk - Investments

Warren County Fiscal Court does not have formal investment policies that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk and Concentration of Credit Risk – Investments

KRS 66.480, Warren County Fiscal Court (Fiscal Court) limits its investments in the following: obligations of the United States and its agencies and instrumentalities, including obligations subject to repurchase agreements, obligations and contracts for future delivery or purchase of obligations backed by the United States or its agencies and obligations of any corporation of the United States Government; certificates of deposit issued by or other interest bearing accounts of any bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency; bankers acceptances for banks rate in one of the three highest categories by a nationally recognized rating agency; commercial paper rated in one of the three highest categories by nationally recognized rating agency; bonds or certificates of indebtedness of this state and of its agencies and instrumentalities; securities issued by a state or local government, or any instrumentality of agency thereof, in the United States and rated in one of the three highest categories by a nationally recognized rating agency; and shares of mutual funds meeting specific characteristics outlined in the statute shall be eligible investments. Fiscal Court has an investment policy that states that no investment may be purchased on a margin basis or through the use of any similar leveraging techniques and that amounts over FDIC or SPIC coverage must be insured or collateralized. Also, Fiscal Court is limited to investing no more than 20% in any one of the following investments as allowed by KRS 66.480: certificates of deposit issued by a bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency, bankers acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency, commercial paper rated in the highest category by a nationally recognized rating agency, or securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized agency. Fiscal Court has no investment policies that would further limit its investment choices.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 2. Deposits and Investments (Continued)

B. Investments (Continued)

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments held in the possession of an outside party. Fiscal Court does not have an investment policy for custodial credit risk. As of June 30, 2009, the investments of the primary government were held by the County or County's agent in the County's name.

Note 3. Southern Kentucky Performing Arts Center, Inc. Investments

As of June 30, 2009, the discretely presented component unit of the Warren County Fiscal Court had the following investments and maturities:

Investment Type	Maturity Date	Fair Value (Cost)	Credit Rating
Money Market	N/A	\$ 124,260	N/A
US Government Obligations:			
Federal Home Loan Mortgage Corp	10/15/2013	241,851	AAA
Federal Home Loan Mortgage Corp	9/15/2016	207,212	AAA
Federal Home Loan Mortgage Corp	3/13/2014	360,209	AAA
Federal Home Loan Mortgage Corp	2/1/2035	10,388	AAA
Federal Home Loan Mortgage Corp	7/1/2035	344,020	AAA
Federal Home Loan Mortgage Corp	3/1/2036	163,565	AAA
Federal Home Loan Mortgage Corp	6/1/2035	42,284	AAA
Federal Home Loan Mortgage Corp	12/1/2037	160,177	AAA
Federal Home Loan Mortgage Corp	7/1/2038	260,897	AAA
Federal Home Loan Mortgage Corp	6/1/2038	185,167	AAA
Federal Home Loan Mortgage Corp	7/1/2038	53,285	AAA
Federal Home Loan Mortgage Corp	8/1/2037	172,556	AAA
Federal Home Loan Mortgage Corp	8/1/2037	157,104	AAA
Federal Home Loan Mortgage Corp	7/1/2036	455,756	AAA
Federal Home Loan Mortgage Corp	1/1/2024	175,184	AAA
US Treasury Note	11/15/2009	193,029	AAA
US Treasury Note	2/12/2012	211,818	AAA
US Treasury Note	2/15/2019	321,240	AAA
US Treasury Note	5/31/2014	249,600	AAA
		<u>\$4,089,602</u>	

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Southern Kentucky Performing Arts Center, Inc. Investments (Continued)

Interest Rate Risk - Investments

The Southern Kentucky Performing Arts Center, Inc. does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk and Concentration of Credit Risk – Investments

Under KRS 66.480, the Southern Kentucky Performing Arts Center, Inc. (SKyPAC) is authorized to invest in obligations of the United States and its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or its agencies, obligations of any corporation of the United States Government, certificates of deposit, commercial paper and securities issued by a state or local governments rated in one of the three highest categories by a nationally recognized rating agencies and shares in mutual funds. SKyPAC has no investment policy that would further limit its investments. As of June 30, 2009, more than 5 percent of SKyPAC's investments are in Federal National Mortgage Association. These investments are 73%, of SKyPAC's total investments as of June 30, 2009.

Custodial Credit Risk - Investments

SkyPAC invests in various investment securities. Investment securities are exposed to various risks such as interest rate risk, market rate and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that such changes could be significant.

Note 4. Receivables

A. Community Action of Southern Kentucky

In September 2007, the Warren County Fiscal Court issued financing obligations of \$820,000 to the Community Action of Southern Kentucky (CASC). Financing proceeds were paid directly to CASC. CASC makes the lease payments directly to the trustee of the note to pay principal and interest. The receivable reflects the principal amount due from CASC of \$780,000 outstanding as of June 30, 2009. The amount receivable corresponds to the CASC liability outstanding as of the end of the fiscal year.

B. Capital Pledges Receivable

Capital pledges receivable for the discretely presented component unit of the Warren County Fiscal Court for the year ended June 30, 2009 were as follows:

	Current	Due in 1 Year	Due in 2-5 Years	Due in 6-10 Years	Total
Capital pledges receivable	\$ 52,500	\$ 62,500	\$ 200,000	\$ 10,000	\$ 325,000
Less: Discount to net present value	-	(8,605)	(16,087)	(837)	(25,529)
Net Capital Pledges Receivable	<u>\$ 52,500</u>	<u>\$ 53,895</u>	<u>\$ 183,913</u>	<u>\$ 9,163</u>	<u>\$ 299,471</u>

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Receivables (Continued)

B. Capital Pledges Receivable (Continued)

Pledges have been discounted ranging from 3.57% to 4.03%, representing the present value of the pledges as of June 30, 2009. The capital pledges receivable are restricted for use in costs and expenses of the new performing arts facility.

Note 5. South Central Kentucky Regional Development Authority Leases

South Central Kentucky Regional Development Authority's (RDA) leasing activities, as a lessor, consist of leasing property, plant and equipment under a direct financing lease and operating lease extending through 2009.

Capital Leases

A tenant of an industrial park, owned and operated by a related party, maintains a direct financing lease agreement with the RDA. Per the lease agreement, the lessee has the exclusive option to purchase the assets on any date, upon 20 days notice, at a price equal to the amount necessary to retire all of the outstanding related industrial revenue bonds.

The following is a summary of the components of RDA's net investment in the direct financing lease at June 30, 2009.

	<u>2009</u>
Total Minimum Lease Payments Receivable	\$ 423,162,552
Unearned Interest Revenue	<u>(193,705,844)</u>
Net Investment	<u><u>\$ 229,456,708</u></u>

Unearned income is amortized to lease income by the interest method using a constant periodic rate over the lease term.

The following is a schedule of future minimum capital lease payments to be received as of June 30, 2009:

<u>Fiscal Year Ended June 30</u>	<u>Amount</u>
2010	\$ 11,451,125
2011	11,472,835
2012	11,472,835
2013	11,472,835
2014	11,472,835
Thereafter	<u>365,820,087</u>
Total Minimum Future Rental Payments	<u><u>\$ 423,162,552</u></u>

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. South Central Kentucky Regional Development Authority Leases (Continued)

During the year ended June 30, 2006, RDA entered into a sale-leaseback arrangement. Under the arrangement, RDA purchased 60 acres of undeveloped Transpark land from the Inter-Modal Transportation Authority (ITA), a related party, for \$3,000,000 and leased it back to the ITA for a period of five years.

RDA financed the land acquisition with a portion of the proceeds from the Kentucky Area Development Districts Financing Trust Lease Acquisition Program Certificates of Participation, Series 2005 Series W, dated November 23, 2005. The Certificates of Participation are secured by a Mortgage and Security Agreement, dated November 23, 2005, on the land.

The leaseback was accounted for as an operating lease. The future minimum rental payments under this operating lease were payable each May 1 and November 1 beginning May 1, 2006. RDA's certificate proceeds included \$266,055 that was placed in a capitalized interest fund for debt service; therefore, the ITA funding of lease payments was not required to begin until May 1, 2008. Rental payments payable by the ITA to RDA are in accordance with the terms of RDA's lease agreement through the Kentucky Area Development Districts Financing Trust.

On December 27, 2007, the ITA reacquired the 60 acres previously sold to the RDA. The ITA paid \$3,340,228 for the land, which resulted in a gain of \$332,660 for the year ended June 30, 2008, and the proceeds were used by RDA to retire the Certificates of Participation, Series 2005 W. The operating lease between RDA and ITA was cancelled.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 6. Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	(Restated) Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 6,970,281	\$	\$	\$ 6,970,281
Total Capital Assets Not Being Depreciated	6,970,281			6,970,281
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	46,679,193	121,086		46,800,279
Other Equipment	1,933,419	424,744		2,358,163
Land Improvements	2,638,741	198,899		2,837,640
Vehicles and Equipment	6,457,217	638,997	(292,477)	6,803,737
Infrastructure	106,972,230	1,684,944		108,657,174
Total Capital Assets Being Depreciated	164,680,800	3,068,670	(292,477)	167,456,993
Less Accumulated Depreciation For:				
Buildings	\$ (5,668,659)	\$ (594,957)		\$ (6,263,616)
Other Equipment	(1,074,372)	(179,326)		(1,253,698)
Land Improvements	(396,890)	(116,981)		(513,871)
Vehicles and Equipment	(3,792,236)	(443,121)	283,227	(3,952,130)
Infrastructure	(83,300,981)	(421,972)		(83,722,953)
Total Accumulated Depreciation	(94,233,138)	(1,756,357)	283,227	(95,706,268)
Total Capital Assets, Being Depreciated, Net	70,447,662	1,312,313	(9,250)	71,750,725
Governmental Activities Capital Assets, Net	<u>\$ 77,417,943</u>	<u>\$ 1,312,313</u>	<u>\$ (9,250)</u>	<u>\$ 78,721,006</u>

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 6. Capital Assets (Continued)

Primary Government: (Continued) <u>Business-Type Activities:</u>	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 90,721	\$ 40,918	\$	\$ 131,639
Total Capital Assets Being Depreciated	90,721	40,918		131,639
Less Accumulated Depreciation For:				
Vehicles and Equipment	(61,464)	(21,184)		(82,648)
Total Accumulated Depreciation	(61,464)	(21,184)		(82,648)
Total Capital Assets, Being Depreciated, Net	29,257	19,734		48,991
Business-Type Activities Capital Assets, Net	\$ 29,257	\$ 19,734	\$ 0	\$ 48,991

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 417,059
Protection to Persons and Property	574,530
Recreation and Culture	216,083
Roads, Including Depreciation of General Infrastructure Assets	<u>548,685</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,756,357</u>
<u>Business-Type Activities</u>	
Jail Canteen	<u>\$ 21,184</u>
Total Depreciation Expense - Business Activities	<u>\$ 21,184</u>

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 6. Capital Assets (Continued)

Capital asset activity for the discretely presented component unit of the Warren County Fiscal Court for the year ended June 30, 2009 was as follows:

Discretely presented component units:	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital Assets Not Being Depreciated:				
Construction in progress	\$ 141,650	\$ 1,339,238	\$	\$ 1,480,888
Total Capital Assets Not Being Depreciated	141,650	1,339,238		1,480,888
Capital Assets, Net	<u>\$ 141,650</u>	<u>\$ 1,339,238</u>	<u>\$ 0</u>	<u>\$ 1,480,888</u>

Note 7. Interfund Transactions

The table below shows the interfund operating transfers for fiscal year 2009.

	General Fund	Road Fund	Jail Fund	Non-Major Governmental Funds	Total Transfers In
General Fund	\$	\$	\$	\$ 58,066	\$ 58,066
Road Fund	1,140,000				1,140,000
Jail Fund					
Non-Major Governmental Funds	759,050		735,724		1,494,774
Total Transfers Out	<u>\$ 1,899,050</u>	<u>\$</u>	<u>\$ 735,724</u>	<u>\$ 58,066</u>	<u>\$ 2,692,840</u>

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 8. South Central Kentucky Regional Development Authority - Short-term Debt

South Central Kentucky Regional Development Authority (RDA) has a loan for operating needs from the Inter-Modal Transportation Authority (ITA), a related party. This is an unsecured non-interest bearing demand note which is to be repaid at such time as RDA has available funds. Upon demand, the note will accrue interest at 8% per annum. Short-term debt activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Discretely Presented				
Component Units:				
<u>Business-type Activities:</u>				
Inter-Modal Transportation Authority - Related Party	\$ 22,085	\$ 14,331	\$	\$ 36,416
Business-type Activities Long-term Liabilities	\$ 22,085	\$ 14,331	\$	\$ 36,416

Note 9. Long-term Debt

A. General Obligation Improvement Bonds, Series 1999

The Warren County Fiscal Court issued obligations, dated May 1, 1999 and payable in 20 annual installments beginning March 1, 2000, with \$1,290,000 term bonds due on March 1, 2020, and semi-annual interest payments on the first of March and September at varying rates from 3.200% to 4.875%. The Fiscal Court issued the bonds for the purpose of purchasing fire protection equipment and constructing an addition to and renovating the Warren County Regional Detention Facility. As of June 30, 2009, bonds outstanding were \$3,975,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	285,000	187,390
2011	300,000	174,850
2012	310,000	161,350
2013	325,000	147,400
2014	345,000	132,450
2015-2019	1,960,000	403,928
2020	450,000	21,937
Totals	\$ 3,975,000	\$ 1,229,305

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 9. Long-term Debt (Continued)

B. General Obligation Bonds, Series 2000

The Warren County Fiscal Court issued obligations, dated December 1, 2000 and payable in 17 annual installments beginning March 1, 2001, with the term bonds due on September 1 of the years 2012, 2023, 2026, and 2029; semi-annual interest payments at rates ranging from 4.75% to 5.20%. The Fiscal Court issued the bonds for the following purposes: i) redeeming prior to their stated maturity all the outstanding Warren County General Obligation Bond Anticipation Notes, Series 1999 (the "Prior Notes") dated July 1, 1999, originally issued to pay certain costs associated with construction of the Warren County Judicial Facility; ii) reimbursing the County for land acquisition costs associated with the parks projects; iii) depositing to the Construction Fund sufficient monies to complete a portion of the Project, and, iv) paying the costs of issuance of the bonds. As of June 30, 2009, bonds outstanding were \$8,865,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	195,000	449,778
2011	215,000	439,938
2012	230,000	429,258
2013	245,000	417,858
2014	260,000	405,608
2015-2019	1,605,000	1,804,854
2020-2024	2,220,000	1,315,764
2025-2029	3,060,000	634,920
2030	835,000	21,710
Totals	<u>\$ 8,865,000</u>	<u>\$ 5,919,688</u>

C. General Obligation Improvement Bonds, Series 2002

The Warren County Fiscal Court issued obligations, dated December 1, 2002 and payable in 15 annual installments beginning August 1, 2003, with the term bonds due on February 1 of the years 2020, 2024, 2026, and 2028; semi-annual interest payments at rates ranging from 4.00% to 4.50%. The fiscal court issued the bonds for the following purposes: i) completing major public parks, land acquisition and development plan; ii) remodeling the existing Warren County Courthouse; and, iii) paying the costs of issuance on the bonds. As of June 30, 2009, bonds outstanding were \$4,745,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	165,000	207,973
2011	175,000	201,373
2012	180,000	194,373
2013	190,000	187,173
2014	195,000	179,098
2015-2019	1,110,000	762,308
2020-2024	1,380,000	495,425
2025-2028	1,350,000	155,250
Totals	<u>\$ 4,745,000</u>	<u>\$ 2,382,973</u>

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 9. Long-term Debt (Continued)

D. General Obligation Improvement Bonds, Series 2004

The Warren County Fiscal Court issued obligations, dated March 1, 2004 and payable in 11 annual installments beginning March 1, 2005, with \$1,600,000 term bonds due on March 1 of the years 2018, 2021, and 2024; and semi-annual interest payments on the first of March and September at varying rates from 2.00% to 4.30%. The Fiscal Court issued the bonds for the purpose of i) completing a major public parks land acquisition and development plan; ii) remodeling of the existing Warren County Courthouse; and iii) paying the costs of issuance on the bonds. As of June 30, 2009, bonds outstanding were \$1,290,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	65,000	48,599
2011	70,000	46,811
2012	70,000	44,711
2013	70,000	42,436
2014	75,000	40,056
2015-2019	415,000	157,779
2020-2024	525,000	68,326
Totals	<u>\$ 1,290,000</u>	<u>\$ 448,718</u>

E. General Obligation Refunding Bonds, Series 2004B

The Warren County Fiscal Court issued obligations, dated September 9, 2004, for i) refunding the outstanding Public Project Revenue Bonds (Warren County Class D Facility), Series 1996, of the Warren County Regional Jail Corporation, an agency and instrumentality of the Fiscal Court; and, ii) paying the cost of issuance on the Bonds. The issue amount of the bonds was \$2,620,000. The interest rate varies from 2.00% to 3.70% with semi-annual interest payments on the first of December and June. As of June 30, 2009, bonds outstanding were \$1,610,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	210,000	50,453
2011	215,000	44,078
2012	220,000	37,278
2013	230,000	29,908
2014	235,000	22,059
2015-2017	500,000	18,310
Totals	<u>\$ 1,610,000</u>	<u>\$ 202,086</u>

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 9. Long-term Debt (Continued)

F. First Mortgage Revenue Bonds, Series 1997A

The Justice Center Expansion Corporation (Corporation), an agency and instrumentality of the Fiscal Court issued obligations; dated June 1, 1997 and payable in 14 annual installments beginning September 1, 2000, with the term bonds due on September 1 of the years 2015, 2017, 2024, and 2029; semi-annual interest payments at rates ranging from 5.125% to 5.25%.

The Corporation entered into a contract lease and option with the Administrative Office of the Courts (AOC). The lease provides the AOC lease the project site and project at a rental equal to the full amount of the principal and interest requirements on the bonds for each year in which the lease is renewed. On July 1 of each even numbered year, the lease may be renewed by AOC for another biennial period of two years. Should the AOC renew the lease until the bonds mature, the Corporation will convey the project site and the project to the Fiscal Court.

On December 1, 2005, the Warren County Justice Center Expansion Corporation, an agency and instrumentality of the County partially refunded the Warren County Justice Center Expansion Corporation First Mortgage Revenue Bonds (AOC Judicial Facility), Series 1997A, in the original amount of \$23,750,000 and the Warren County Justice Center Expansion Corporation First Mortgage Revenue Bonds (AOC Judicial Facility), Series 1999B, in the original principal amount of \$3,460,000 (collectively "Prior Bonds"), the proceeds of which were used to finance the acquisition, expansion, construction, installation and equipping of the Warren County Justice Center building and facilities (hereinafter "Facility"). The Facility financed and constructed with the proceeds from the Prior Bonds was leased by the Corporation to the Administrative Office of the Courts of the Commonwealth of Kentucky (the "AOC") and the County, pursuant to a Lease Agreement dated as of July 1, 1997, and an Amendment to Lease Agreement dated July 1, 1999 (collectively referred to as "Lease"). The Lease has been assigned to Trustee pursuant to an Assignment of Lease Agreement by and between the Corporation, the County, and the AOC dated as of December 1, 2005. As of June 30, 2009, the escrow account had a balance of \$2,776,608.

G. First Mortgage Revenue Bonds, Series 1999B

The Justice Center Expansion Corporation (Corporation), an agency and instrumentality of the Fiscal Court, issued \$3,460,000 First Mortgage Revenue Bonds on July 1, 1999 for the purpose of renovating and expanding the existing courthouse annex. The bonds are payable in 15 annual installments on the 1st of September, with term bonds due on September 1, of 2019, 2024, and 2029, and semi-annual interest payments due March and September at varying rates from 3.70% to 5.350%.

The Corporation, the Fiscal Court, and the State Administrative Office of the Courts (AOC) have entered into a lease agreement, dated July 1, 1999 wherein the AOC shall lease from the Corporation a portion of the project and project site at an agreed rental, which rental amount will be assigned by the Corporation to the Trustee and is anticipated to be adequate to pay 100% of the principal and interest on the Bonds. The lease does not require the Fiscal Court to make any rental payments toward the project; however, the Fiscal Court is obligated to provide operation, maintenance, insurance, and repair of the project. As of June 30, 2009, bonds outstanding were \$75,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	75,000	1,875
Totals	\$ 75,000	\$ 1,875

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 9. Long-term Debt (Continued)

G. First Mortgage Revenue Bonds, Series 1999B (Continued)

On December 1, 2005, the Warren County Justice Center Expansion Corporation, an agency and instrumentality of the County, partially refunded the Warren County Justice Center Expansion Corporation First Mortgage Revenue Bonds (AOC Judicial Facility), Series 1997A, in the original amount of \$23,750,000 and the Warren County Justice Center Expansion Corporation First Mortgage Revenue Bonds (AOC Judicial Facility), Series 1999B, in the original principal amount of \$3,460,000 (collectively "Prior Bonds"), the proceeds of which were used to finance the acquisition, expansion, construction, installation and equipping of the Warren County Justice Center building and facilities (hereinafter "Facility"). The Facility financed and constructed with the proceeds from the Prior Bonds was leased by the Corporation to the Administrative Office of the Courts of the Commonwealth of Kentucky (the "AOC") and the County, pursuant to a Lease Agreement dated as of July 1, 1997, and an Amendment to Lease Agreement dated July 1, 1999 (collectively referred to as "Lease"). The Lease has been assigned to Trustee pursuant to an Assignment of Lease Agreement by and between the Corporation, the County, and the AOC dated as of December 1, 2005. As of June 30, 2009, the escrow account had a balance of \$2,776,608.

H. First Mortgage Refunding Revenue Bonds, Series 2005

The Warren County Justice Center Expansion Corporation (the "Corporation") adopted a Resolution on November 18, 2005, authorizing the issuance of the Bonds from which the net proceeds thereof will be used to (i) purchase an escrow scheduled to mature at such times and in such amounts as are necessary and will be adequate, with investment or reinvestment thereof, to pay the accruing interest on and refund in advance of the scheduled maturity of the Warren County Justice Center Expansion Corporation First Mortgage Revenue Bonds (AOC Judicial Facility), Series 1997A, dated June 1, 1997 (the "1997A Bonds") and the Warren County Justice Center Expansion Corporation First Mortgage Revenue Bonds (AOC Judicial Facility), Series 1999B, dated July 1, 1999, (the "1999B Bonds") (collectively, the "Prior Bonds"), and (ii) pay the cost of the Bond issuance expenses. The Corporation was created by the County to act as the agency and instrumentality of the County in acquiring, developing, and financing public improvements and public projects. As a result, the Series 1997A and Series 1999B are considered to be partially defeased and the partial liability for those bonds has been removed from the government-wide statement of net assets.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 9. Long-term Debt (Continued)

H. First Mortgage Refunding Revenue Bonds, Series 2005 (Continued)

Interest on the Bonds is payable each March 1 and September 1, beginning March 1, 2007. The Bonds mature as to principal on March 1, 2007 and September 1, 2007 and each September 1 thereafter as shown below. The Bonds are being issued as fully registered and will be available for purchase in principal amounts of \$5,000 and integral multiples thereof. The outstanding balance as of June 30, 2009 was \$24,675,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	690,000	1,027,574
2011	790,000	999,824
2012	825,000	969,543
2013	860,000	936,874
2014	895,000	901,774
2015-2019	5,040,000	3,929,126
2020-2024	6,200,000	2,762,511
2025-2029	7,710,000	1,256,668
2030	1,665,000	37,463
Totals	<u>\$ 24,675,000</u>	<u>\$ 12,821,357</u>

I. Office Buildings

On December 19, 1994, the Warren County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of office buildings for the Health Department. The principal was \$580,000 at an effective interest rate of 6.94% for a period of 15 years, with interest paid monthly and principal paid annually. The principal outstanding as of June 30, 2009, was \$0.

J. Vehicles For Sheriff's Department

On November 4, 2004, the Warren County Fiscal Court entered into an agreement with the Kentucky Area Development District Leasing Fund (KADD) for the purchase of vehicles for the sheriff's department. The principal was \$230,000 at a variable interest rate for a period of 4 years, with interest paid semiannually and principal paid annually. The principal outstanding as of June 30, 2009, was \$0.

K. Fire Trucks (Pumpers)

On June 19, 2007, the Warren County Fiscal Court entered into a lease by participating in a KPAD issue (Kentucky Public Agency Development Lease Certificates of Participation) in the amount of \$920,000. Interest payments are due December 1st and June 1st beginning December 1, 2008. Principal payments are due every June 1st beginning June 1, 2008. The final installment is due on June 11, 2017. The effective interest rate is 4.00%. The Fiscal Court used the proceeds to purchase five fire trucks (pumpers). Principal outstanding as of June 30, 2009 totaled \$760,000. Future principal and interest requirements are:

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 9. Long-term Debt (Continued)

K. Fire Trucks (Pumpers) (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	80,000	33,655
2011	85,000	30,375
2012	90,000	26,805
2013	95,000	22,845
2014	95,000	18,665
2015-2018	315,000	29,340
Totals	<u>\$ 760,000</u>	<u>\$ 161,685</u>

L. KADD 2007 Series K

On September 25, 2007, the Warren County Fiscal Court entered into a lease by participating in a KADD issue (Kentucky Area Development Districts Financing Trust Lease Certificates of Participation) in the amount of \$820,000. Interest payments are due March 20th and September 20th beginning March 20, 2008. Principal payments are due every September 20th beginning September 20, 2008. The final installment is due on September 20, 2022. The effective interest rate is 3.75%. The proceeds were disbursed to Community Action of Southern Kentucky (CASC), to acquire, construct and equip a building to serve low-income families. The County entered into a sublease with CASC simultaneously with the KADD lease. The sublease term and rental payments are the same as those of the County's lease with the KADD. Principal outstanding as of June 30, 2009 totaled \$780,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	40,000	36,378
2011	40,000	34,728
2012	45,000	32,885
2013	45,000	30,860
2014	50,000	28,723
2015-2019	280,000	106,507
2020-2022	280,000	30,363
Totals	<u>\$ 780,000</u>	<u>\$ 300,444</u>

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 9. Long-term Debt (Continued)

M. South Central Kentucky Regional Development Authority Taxable Industrial Building Revenue Bonds, Series 2004 A, Series 2004 B and Series 2009

South Central Kentucky Regional Development Authority Taxable Industrial Building Revenue Bonds, Series 2004 A and Series 2004 B in the aggregate amount up to \$167,000,000 (authorized to issue Series A up to \$100,200,000 and Series B up to \$66,800,000); maturing as to principal on October 1, 2024; interest at 5% payable semi-annually on January 1 and July 1; secured by the assignment of the minimum lease payments that are to be made by the lessee under a direct financing capital lease agreement, as discussed in Note 5. The lessee of the capital lease also entered into a loan agreement with the RDA further guaranteeing the payment of the Series B bonds. Prepayments of the bonds may be made, in whole or in part, at any time, at the option of the lessee of the capital lease.

South Central Kentucky Regional Development Authority Taxable Industrial Building Revenue Bonds, Series 2009 in the aggregate amount of up to \$126,000,000; maturing as to principal May 1, 2029; interest at 5% payable quarterly on June 1, September 1, December 1, and March 1; secured by the assignment of the minimum lease payments that are to be made by the lessee under a direct financing capital lease agreement, as discussed in Note 5. The lessee of the capital lease also entered into a loan agreement with RDA further guaranteeing the payment of the bonds. Prepayments of the bonds may be made, in whole or in part, at any time, at the option of the lessee of the capital lease.

Principal outstanding as of June 30, 2009 totaled \$229,405,708. Future principal and interest requirements are:

Year Ending June 30,	Principal	Interest
2010		\$ 11,451,125
2011		11,472,835
2012		11,472,835
2013		11,472,835
2014		11,472,835
2015-2019		57,364,175
2020-2024		57,364,175
2025-2029	229,405,708	21,635,029
	<u>\$ 229,405,708</u>	<u>\$193,705,844</u>

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 9. Long-term Debt (Continued)

N. Changes In Long-term Liabilities

Long-term liability activity for the primary government for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation					
Bonds	\$21,375,000	\$	\$ 890,000	\$20,485,000	\$ 920,000
Revenue Bonds	25,485,000		735,000	24,750,000	765,000
Financing					
Obligations	1,779,000		239,000	1,540,000	120,000
Governmental Activities					
Long-term					
Liabilities	<u>\$48,639,000</u>	<u>\$</u>	<u>\$ 1,864,000</u>	<u>\$46,775,000</u>	<u>\$ 1,805,000</u>

	Beginning Balance	Additions	Reductions	Ending Balance
Discretely Presented				
Component Units:				
<u>Business-type Activities:</u>				
Industrial Revenue Bonds				
Series 2004 A and B	\$ 167,000,000	\$	\$	\$ 167,000,000
Industrial Revenue Bonds				
Series 2009	55,612,413	6,844,295		62,456,708
Business-type Activities				
Long-term Liabilities	<u>\$ 222,612,413</u>	<u>\$ 6,844,295</u>	<u>\$</u>	<u>\$ 229,456,708</u>

Note 10. Interest On Long-term Debt And Financing Obligations

Debt Service of the primary government on the Statement of Activities includes \$77,486 in interest on financing obligations, \$1,930,660 in interest on bonds and \$3,445 in management fees.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 11. Commitments and Contingencies

A. Lovers Lane Soccer Complex

During 1996, the Warren County Fiscal Court entered into an agreement with the City of Bowling Green to fund 20% of construction costs associated with the Lovers Lane Soccer Complex. The City of Bowling Green Municipal Project Corporation issued \$2,365,000 of Series 1995 Lease Revenue Bonds to finance the project. The Fiscal Court's commitment as of June 30, 2009, totaled \$218,227 payable at varying amounts semiannually in conjunction with the principal and interest payments due on the bonds, which mature November 1, 2015.

B. Historic Railroad Depot

An Interlocal Cooperation Agreement relating to the Historic Railroad Depot was entered into on February 2, 2001 by and between the City of Bowling Green (City) and the Warren County Fiscal Court (County). The City and the County authorized the creation of jointly governed organization, a public non-profit corporation known as the Depot Development Authority, a corporation, to act as the agent, instrumentality and constituted authority of the City and the County in connection with the planning, promotion, development, financing, and acquisition by the corporation of the historic railroad station located in Bowling Green. The City and County have agreed to borrow up to \$1,000,000 to repay the debt of the Authority and finish the renovation of the Depot. The City and County have agreed to equally share the costs of this loan over a twenty-year period and to share equally the responsibility and the costs of the remaining renovation, promotion, development, financing, management and maintenance of the historic depot. During fiscal year ended June 30, 2009, the County made payments totaling \$45,816.

C. Health Department

The Warren County Fiscal Court established a county health department under KRS 212.040. Upon the resolution being passed establishing the county health department, the Fiscal Court was required to appropriate a sufficient amount for the creation, establishment, and maintenance of the county health department. For the fiscal year ended June 30, 2009, and all subsequent years, no monies are budgeted due to the implementation of a health department tax. The health department tax, effective July 1, 2007, is a tax on personal and real property collected and remitted directly to the health department by the Sheriff.

D. Southern Kentucky Performing Arts Center, Inc.

Southern Kentucky Performing Arts Center, Inc. (SKyPAC) receives funding from state agencies, non-public grants and private donations. These funds may be required to be used for designated purposes. If the grantors' review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced. The amount of such future refunds, if any, is not expected to be significant. Continuation of SKyPAC's grant program is predicated upon the grantors' satisfaction that the funds being provided are being spent as intended and the grantors' intent to continue their programs.

SKyPAC has entered into contracts relating to the performing arts facility. As of June 30, 2009, construction commitments for architects were \$2,630,000 with \$1,339,238 of this total amount actually incurred. Subsequent to June 30, 2009, an additional contract of \$4,794,730 has been entered into for construction costs. SKyPAC has entered into a contract for management services and related occupancy costs for \$95,000 annually.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 12. Employee Retirement System

The Warren County Fiscal Court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Non hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8 percent will go to the member's account and 1 percent will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 29.50 percent.

The county's contribution for FY 2007 was \$725,373, FY 2008 was \$890,767, and FY 2009 was \$746,697.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 13. Deferred Compensation

On February 24, 2000, the Warren County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority, 101 Sea Hero Road, Suite 110, Frankfort, Kentucky 40601-8862, or by telephone at (502) 573-7925.

Note 14. Insurance

For the fiscal year ended June 30, 2009, Warren County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 15. Estimated Infrastructure Historical Cost

Historical cost of infrastructure placed in service prior to the fiscal year ended June 30, 2003 (year of GASB 34 implementation) is an estimate. For those assets, the primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. Estimated Infrastructure Historical Cost includes infrastructure placed in service from fiscal year 1984 through current fiscal year. All infrastructure assets placed in service during the fiscal year ended June 30, 2003 and thereafter are recorded at actual historical cost.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 16. Southern Kentucky Performing Arts Center, Inc. Facility Plans

Southern Kentucky Performing Arts Center, Inc. (SKyPAC) had purchased real property near the campus of Western Kentucky University (WKU) with the intent to construct a performing arts center on this property. However, subsequent to these real estate purchases, SKyPAC was approached by the City of Bowling Green, Kentucky (City) to locate the proposed performing arts center in the area of the City's Redevelopment Plan. On June 23, 2005, SKyPAC entered into a property acquisition agreement (the Agreement) with the City. As stated in the Agreement, SKyPAC conveyed certain real property to WKU in exchange for \$1,000,000, which was paid to the City in exchange for the acquisition of certain real property within the Redevelopment Plan area. Such purchases of real estate by the City will be conveyed to SKyPAC for the construction of a performing arts center and related parking area. The City will be responsible for all costs of demolition of existing structures along with any costs incurred in acquiring the specific properties in excess of the \$1,000,000 provided by SKyPAC. Total land purchases by the City for SKyPAC are expected to be at least \$2,000,000. At June 30, 2009, amounts due to SKyPAC for the sale of real estate and/or amounts due to SKyPAC for future land acquisitions were \$2,980,889.

As of February 23, 2010, SKyPAC is in the initial phase of construction. Complete construction is expected in the fall of 2011. Preliminary plans include a 1,800 seat theater with a visual arts room, multipurpose room, rehearsal rooms and lobby areas totaling approximately 78,025 square feet with an estimated cost of \$25,000,000. Funding for the proposed construction will include \$10,000,000 in County Hotel Tax Revenue Bonds expected to be issued in February 2010; \$10,000,000 in various bond issuances by the Warren County Downtown Economic Development Authority, Inc. expected to be issued in July 2010; approximately \$4,089,000 from investments currently held by SKyPAC and approximately \$3,000,000 in private contributions.

To assist SKyPAC with the repayment of the \$10,000,000 County Hotel Tax Revenue bonds, the Warren County Fiscal Court enacted an ordinance to establish a transient room tax. Effective March 1, 2008, the two percent (2%) tax is levied and collected on the rent, rate or other charge for every occupancy of a suite, room or rooms charged by individuals, organizations and corporations doing business as motor courts, motels, hotels, inns and other similar accommodation business located within the County of Warren. These entities charged with the collection of the transient room tax shall make quarterly payments to the Warren County Treasurer, who will deposit the taxes collected into a special fund held separate and apart from all other County funds to be used solely for the retirement of the SKyPAC bonds. Upon certification by the Warren County Treasurer that payment in full of the principal and interest of the bonds has been made, the transient room tax ordinance shall be repealed.

The \$10,000,000 bond issuances by the Warren County Downtown Economic Development Authority, Inc. will be repaid through revenue collected as part of a tax increment financing ("TIF") district. The proposed TIF district is comprised of 383 contiguous acres extending from Western Kentucky University through downtown Bowling Green to the 31W Bypass, which includes the specific properties being acquired for SKyPAC. Pledged revenues for the TIF district include the following:

- State taxes – 80% of incremental sales taxes, real property taxes, individual income taxes, corporate income taxes and limited liability taxes
- City taxes – 80% of incremental occupational taxes and real property taxes for a term of 30 years
- County taxes – 100% of real property taxes

WARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 16. Southern Kentucky Performing Arts Center, Inc. Facility Plans (Continued)

Private contributions for SKyPAC are being pledged as several agreements of support have been signed to aid with construction costs. SKyPAC is continuing discussions with several private entities for additional donations, as well as offering naming rights for the lobby, stage, auditorium and the facility itself in order to reach their goal of raising approximately \$3,000,000 in private contributions.

Note 17. Prior Period Adjustments

The beginning net assets of governmental activities and the beginning fund balances of the government-wide funds have been restated by \$286,126 for an error in capital assets not previously reported. The beginning fund balances of the general fund budgetary comparison schedules have been restated by an additional \$16,448 due to an adjustment to the Kentucky Area Development District Bank Account recorded in the prior year.

Note 18. Subsequent Events

The fiscal court has evaluated any subsequent events for recognition or disclosures through May 7, 2010, the date these financial statements were issued. The discretely presented component units, SKyPAC and RDA, have evaluated any recognized or unrecognized subsequent events for consideration in the accompanying financial statements through February 23, 2010 and June 4, 2010, respectively, which were the dates the financial statements were approved by the Board of Directors and governing body of RDA, respectively.

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**WARREN COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
Modified Cash Basis**

For The Year Ended June 30, 2009

WARREN COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis

For The Year Ended June 30, 2009

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 10,193,000	\$ 10,193,000	\$ 12,821,986	\$ 2,628,986
In Lieu Tax Payments	174,000	174,000	230,980	56,980
Excess Fees	900,000	900,000	1,045,680	145,680
Licenses and Permits	960,000	960,000	1,380,230	420,230
Intergovernmental Revenue	5,327,196	5,782,789	6,618,624	835,835
Charges for Services	3,980	3,980	63,445	59,465
Miscellaneous	249,000	263,905	423,931	160,026
Interest	215,000	215,000	194,134	(20,866)
Total Revenues	18,022,176	18,492,674	22,779,010	4,286,336
EXPENDITURES				
General Government	6,247,041	8,168,395	7,832,738	335,657
Protection to Persons and Property	1,001,602	1,196,461	1,062,808	133,653
General Health and Sanitation	608,475	979,919	638,438	341,481
Social Services	306,520	323,120	272,990	50,130
Recreation and Culture	1,601,952	1,760,921	1,610,627	150,294
Airports	125,000	127,500	127,500	
Debt Service	1,328,895	1,208,078	509,120	698,958
Capital Projects	4,147,494	4,147,494	3,077,230	1,070,264
Administration	2,142,038	2,236,850	990,567	1,246,283
Total Expenditures	17,509,017	20,148,738	16,122,018	4,026,720
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	513,159	(1,656,064)	6,656,992	8,313,056
OTHER FINANCING SOURCES (USES)				
Financing Proceeds		769,116		(769,116)
Transfers From Other Funds			58,066	58,066
Transfers To Other Funds	(513,159)	(1,551,489)	(1,899,050)	(347,561)
Total Other Financing Sources (Uses)	(513,159)	(782,373)	(1,840,984)	(1,058,611)
Net Changes in Fund Balance		(2,438,437)	4,816,008	7,254,445
Fund Balance - Beginning (Restated)		2,438,437	8,640,778	6,202,341
Fund Balance - Ending	\$ 0	\$ 0	\$ 13,456,786	\$ 13,456,786

WARREN COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

ROAD AND BRIDGE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,883,450	\$ 2,054,479	\$ 1,876,969	\$ (177,510)
Miscellaneous			3,801	3,801
Interest	2,000	2,000	1,461	(539)
Total Revenues	1,885,450	2,056,479	1,882,231	(174,248)
EXPENDITURES				
Roads	1,274,021	1,532,779	1,503,166	29,613
Airports	1,000	721	721	
Capital Projects	600,000	1,601,930	1,452,583	149,347
Administration	339,276	288,226	273,439	14,787
Total Expenditures	2,214,297	3,423,656	3,229,909	193,747
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(328,847)	(1,367,177)	(1,347,678)	19,499
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds		1,038,330	1,140,000	101,670
Total Other Financing Sources (Uses)		1,038,330	1,140,000	101,670
Net Changes in Fund Balance	(328,847)	(328,847)	(207,678)	121,169
Fund Balance - Beginning	328,847	328,847	342,651	13,804
Fund Balance - Ending	\$ 0	\$ 0	\$ 134,973	\$ 134,973

WARREN COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 5,645,862	\$ 5,645,862	\$ 5,433,189	\$ (212,673)
Charges for Services	510,312	510,312	522,813	12,501
Miscellaneous	435,692	435,692	427,498	(8,194)
Interest	2,774	2,774	2,014	(760)
Total Revenues	6,594,640	6,594,640	6,385,514	(209,126)
EXPENDITURES				
Protection to Persons and Property	4,885,475	4,864,470	4,757,732	106,738
Debt Service	735,911	735,911		735,911
Administration	1,157,566	1,178,571	1,061,173	117,398
Total Expenditures	6,778,952	6,778,952	5,818,905	960,047
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(184,312)	(184,312)	566,609	750,921
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds			(735,724)	(735,724)
Total Other Financing Sources (Uses)			(735,724)	(735,724)
Net Changes in Fund Balance	(184,312)	(184,312)	(169,115)	15,197
Fund Balance - Beginning	184,312	184,312	586,792	402,480
Fund Balance - Ending	\$ 0	\$ 0	\$ 417,677	\$ 417,677

WARREN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2009

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**WARREN COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2009

WARREN COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2009

	Local Government Economic Assistance Fund	Park Enterprise Fund	Emergency 911 Fund	Federal Drug Forfeiture Fund
ASSETS				
Cash and Cash Equivalents	\$ 250,233	\$ 4,115	\$ 22,051	\$ 100,598
Total Assets	<u>\$ 250,233</u>	<u>\$ 4,115</u>	<u>\$ 22,051</u>	<u>\$ 100,598</u>
FUND BALANCES				
Unreserved:				
Special Revenue Funds	\$ 250,233	\$ 4,115	\$ 22,051	\$ 100,598
Capital Projects Fund				
Debt Service Funds				
Total Fund Balances	<u>\$ 250,233</u>	<u>\$ 4,115</u>	<u>\$ 22,051</u>	<u>\$ 100,598</u>

The accompanying notes are an integral part of the financial statements.

WARREN COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2009
(Continued)

Storm Water Fund	Transient Room Tax Fund	County Bond Sinking Fund	Justice Center Expansion Corporation Fund	General Obligation Bond Fund	Total Non-Major Governmental Funds
\$ 1,239,435	\$ 676,183	\$ 304,610	\$ 263,359	\$ 70	\$ 2,860,654
<u>\$ 1,239,435</u>	<u>\$ 676,183</u>	<u>\$ 304,610</u>	<u>\$ 263,359</u>	<u>\$ 70</u>	<u>\$ 2,860,654</u>
\$ 1,239,435	\$ 676,183	\$ 304,610	\$ 263,359	\$ 70	2,292,615
					304,610
			263,359	70	263,429
<u>\$ 1,239,435</u>	<u>\$ 676,183</u>	<u>\$ 304,610</u>	<u>\$ 263,359</u>	<u>\$ 70</u>	<u>\$ 2,860,654</u>

The accompanying notes are an integral part of the financial statements.

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WARREN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2009

WARREN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2009

	Local Government Economic Assistance Fund	Park Enterprise Fund	Emergency 911 Fund	Federal Drug Forfeiture Fund
REVENUES				
Taxes	\$	\$	\$ 330,244	\$
Charges for Services				
Intergovernmental	289,474			74,579
Miscellaneous	125,000	17,170		
Interest	2,716	65		815
Total Revenues	<u>417,190</u>	<u>17,235</u>	<u>330,244</u>	<u>75,394</u>
EXPENDITURES				
General Government	250,000			
Protection to Persons and Property	56,565		324,165	21,871
General Health and Sanitation				
Social Services	90,500			
Recreation and Culture		20,991		
Roads	22,692			
Debt Service				
Capital Projects				
Administration	66		1,270	
Total Expenditures	<u>419,823</u>	<u>20,991</u>	<u>325,435</u>	<u>21,871</u>
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(2,633)</u>	<u>(3,756)</u>	<u>4,809</u>	<u>53,523</u>
Other Financing Sources (Uses)				
Transfers From Other Funds				
Transfers To Other Funds				
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	(2,633)	(3,756)	4,809	53,523
Fund Balances - Beginning	252,866	7,871	17,242	47,075
Fund Balances - Ending	<u>\$ 250,233</u>	<u>\$ 4,115</u>	<u>\$ 22,051</u>	<u>\$ 100,598</u>

The accompanying notes are an integral part of the financial statements.

WARREN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009
(Continued)

Storm Water Fund	Transient Room Tax Fund	County Bond Sinking Fund	Justice Center Expansion Corporation Fund	General Obligation Bond Fund	Total Non-Major Governmental Funds
\$	\$	\$	\$	\$	\$
1,021,383	586,802				917,046
			1,274,218		1,021,383
					1,638,271
					142,170
15,048	754	5,913	9,141	239	34,691
1,036,431	587,556	5,913	1,283,359	239	3,753,561
					250,000
					402,601
338,372					338,372
					90,500
	110				21,101
					22,692
		115,191	1,793,474	1,379,810	3,288,475
		222,129			222,129
15		1	1,001		2,353
338,387	110	337,321	1,794,475	1,379,810	4,638,223
698,044	587,446	(331,408)	(511,116)	(1,379,571)	(884,662)
		115,152		1,379,622	1,494,774
(58,066)					(58,066)
(58,066)		115,152		1,379,622	1,436,708
639,978	587,446	(216,256)	(511,116)	51	552,046
599,457	88,737	520,866	774,475	19	2,308,608
\$ 1,239,435	\$ 676,183	\$ 304,610	\$ 263,359	\$ 70	\$ 2,860,654

The accompanying notes are an integral part of the financial statements.

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WARREN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

WARREN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2009

Federal Grantor		
Program Title	Pass-Through	
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Election Commission</u>		
<i>Passed-Through State Board of Elections:</i>		
Help America Vote Act (CFDA #90.401)	N/A	\$ 283,500
<u>US Department of Transportation</u>		
<i>Passed-Through Federal Highway Administration:</i>		
Safe Route to School Program (CFDA #20.600)	SAFETEA-LU	\$ 149,692
Recreational Trails Program (CFDA #20.219)	RTP 319-07	\$ 26,754
Total U. S. Department of Transportation		<u>176,446</u>
<u>U.S. Department of Homeland Security</u>		
<i>Passed-Through State Department of Military Affairs:</i>		
State Domestic Preparedness Program (CFDA #97.042)		27,796
State Domestic Preparedness Program	FY2007 EMPG Supplemental	2,390
<i>Passed-Through Office Of Homeland Security:</i>		
State Homeland Security Grant Program	08-053	56,000
<i>Passed-Through Office Of Barren River Area Development District:</i>		
State Homeland Security Grant Program	08-052	<u>15,677</u>
Total U. S. Department of Homeland Security		<u>101,863</u>
<u>U.S. Department of Justice</u>		
<i>Passed-Through State Justice And Public Safety Cabinet:</i>		
Byrne Formula Grant	2008-JAG-00083	159,643
Byrne Formula Grant (CFDA #16.579)	DTF-2008-00029	8,000
Justice Assistance Grant (CFDA #16.738)	N/A	<u>11,772</u>
Total U. S. Department of Justice		<u>179,415</u>
<u>U.S. Office of National Drug Control Policy</u>		
<i>Passed-Through Laurel County Fiscal Court:</i>		
Appalachia High Intensity Drug Traffic Area Program (CFDA #07.000)	I8APP5012 I9APP5012	<u>48,080</u>
Total Expenditures of Federal Awards		<u>\$ 789,304</u>

WARREN COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2009

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Warren County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



*Simon,
Underwood &
Associates* PSC

Certified Public Accountants and Consultants

The Honorable Michael O. Buchanon, Warren County Judge/Executive
Members of the Warren County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Warren County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 7, 2010, wherein, we issued a qualified opinion on the discretely presented component units. Our report was also modified to include a reference to other auditors. Warren County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Other auditors audited the financial statements of Southern Kentucky Performing Arts Center, Inc. (SKyPAC) and South Central Kentucky Regional Development Authority (RDA), as described in our report on Warren County, Kentucky's financial statements. The financial statements of SKyPAC and RDA were not audited in accordance with Government Auditing Standards. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Warren County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Warren County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Warren County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Warren County Fiscal Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of Warren County, Kentucky, in a separate letter dated May 7, 2010.

This report is intended solely for the information and use of management, federal awarding agencies and pass-through entities, the Warren County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Simon, Underwood & Associates PSC". The signature is written in a cursive, flowing style.

Simon, Underwood & Associates PSC

May 7, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



*Simon,
Underwood &
Associates* PSC

Certified Public Accountants and Consultants

The Honorable Michael O. Buchanan, Warren County Judge/Executive
Members of the Warren County Fiscal Court

Report on Compliance With Requirements
Applicable To Each Major Program And On Internal
Control Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Warren County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Warren County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Warren County's management. Our responsibility is to express an opinion on Warren County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Warren County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Warren County's compliance with those requirements.

In our opinion, Warren County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Warren County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Warren County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Warren County's internal control over compliance.

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that a noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Simon, Underwood & Associates PSC". The signature is written in a cursive, flowing style.

Simon, Underwood & Associates PSC

May 7, 2010

WARREN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2009

**WARREN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2009

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Warren County, Kentucky. The auditor's report expresses a qualified opinion on the discretely presented component units.
2. No significant deficiencies relating to the internal control of the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Warren County were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Warren County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Warren County reported in Part C of this schedule.
7. The program tested as major programs were: Help America Vote Act (CFDA #90.401) and Safe Route to School Program (CFDA #20.600)
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Warren County was determined to be a high-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

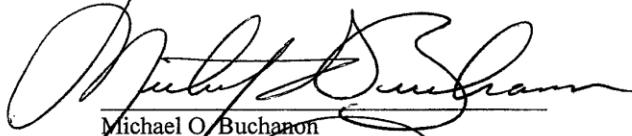
WARREN COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2009**

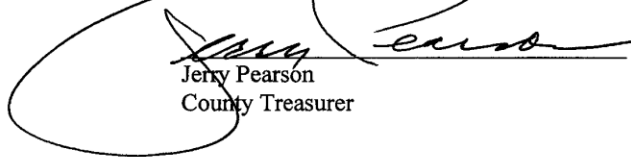
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
WARREN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2009

The Warren County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Michael O. Buchanan
County Judge/Executive



Jerry Pearson
County Treasurer

